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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam (Weekly)

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(20 November - 26 November 1967)

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I. POLITICAL SITUATION

The government has announced the appointment of Nguyen Van Huong as secretary general in the president's office and has established a 19-man Central Revolutionary Development Council to oversee all aspects of the pacification effort. Prime Minister Loc is reportedly having some initial difficulty in getting his job done because of what he claims are conflicting directions from President Thieu and Vice President Ky. Both houses of the legislature have established committees to intercede with the government on behalf of persons they regard as unjustly treated. The Democratic Bloc in the lower house has issued a six-point proclamation dealing primarily with the need to preserve Vietnamese sovereignty. An opposition grouping may be forming a third bloc in the lower house. Police Director Loan has again submitted his resignation, reportedly because of Nguyen Van Huong's appointment to the president's office. Former presidential candidate Tran Van Huong has refused to accept the chairmanship of the new Inspectorate. The moderate Buddhist faction of Thich Tam Chau may be working on plans to establish a Buddhist political party and begin publication of a daily newspaper.

Government Appointments

1. On 25 November the government announced the appointment of Nguyen Van Huong, an adviser to President Thieu and his campaign manager during the election, as secretary general in the president's office. His duties in this position, as enumerated in the announcement and as Huong had earlier outlined for an embassy officer, will include administration of all agencies run directly by the president's office and liaison between that office and the prime minister's office, the legislature, and the various ministries. Huong will have the rank of minister.

2. Also announced was the formation under Prime Minister Loc of a Central Revolutionary Development Council to oversee all aspects of the pacification effort. The 19-man council, according to the announcement, will include most cabinet ministers and the five

highest-ranking generals, presumably including General Nguyen Duc Thang, deputy chief of the Joint General Staff in charge of the Revolutionary Development Cadre Directorate and the Regional and Popular Forces. Minister of Revolutionary Development Tri will be secretary general of the council. Corps-, special zone-, province-, city-, and district-level councils will also be established.

Loc's Difficulties

3. Prime Minister Loc is apparently having some initial difficulty in getting his job done. Tran Quoc Buu, president of the Vietnamese Confederation of Labor, recently told [REDACTED] that Loc complains that he is being hampered by conflicting directions and statements from President Thieu and Vice President Ky. Loc ascribes most of his difficulties to a lack of coordination between Thieu and Ky and claims he has to spend a great deal of time trying to avoid being caught in the middle. He added that this is hardly any way to get a new government off the ground.

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4. Some of the difficulties described by Loc, while possibly symptomatic of the personal conflict between Thieu and Ky, seem typical of those which might occur in starting any new large organization, and Loc is apparently finding it difficult to cope with them. Buu commented that, although he has known Loc for a long time and respects his intelligence, Loc is apt to panic under pressure. Buu also surmised from his meeting with Loc and from remarks allegedly attributed to him that the prime minister has no great respect for Ky and is similarly irritated with Thieu for what he calls Thieu's "dilettante" approach to the problems of running a government.

Legislative Developments

5. The lower house "Committee to Intervene for the Release of Student Demonstrators" has elected as officers three men who have been quite outspoken in their criticism of the government. Committee chairman Truc Vien, vice chairman Nguyen Dai Bang, and secretary Nguyen Trong Nho were instrumental in establishing the committee, which intends to petition the government for the release of 17 students arrested and subsequently drafted for demonstrating against the presidential elections.

6. At the house session on 21 November Nho said that the committee had already sent a letter to the government proposing discussion of the student cases. He added that if Prime Minister Loc refuses to meet with the committee, he will be called before "us"--presumably the full house--to explain his actions.

7. The Senate on 18 November also established a committee to intervene with the government on similar matters, but its committee appears less opposition-centered than that of the lower house. The Senate committee will concern itself primarily with the cases of coup plotters arrested after the abortive coup of 19 February 1965.

8. The question first arose when Senator Tran Van Don submitted a petition, initiated by him and signed by 32 other senators, requesting that the case of former General Lam Van Phat be reviewed. Phat, sentenced to death in absentia for his part in the coup attempt, recently sent President Thieu a letter, through the temporary Senate chairman, "explaining the injustice done him." Following lengthy discussion of this and other requests for Senate intercession, the Senate decided that the cases of all 45 persons implicated in the abortive coup should be reviewed and, for this purpose, set up a "Special Committee to Consider Applications for Intervention." The committee is composed of two men from each of the Senate's six slates.

9. In another lower house development, the new Democratic Bloc has issued a six-point proclamation which appears to emphasize the need for preserving Vietnamese sovereignty. According to a Saigon Post article of 22 November, the proclamation calls for social revolution, true national reconciliation, reform of both the educational system and the diplomatic service, the protection of Vietnamese sovereignty, and economic sovereignty.

10. In detailing each of the various points, the proclamation criticized what it called "the policy of unilateral determination of the course of the war and peace efforts." In addition, as a step toward achieving economic sovereignty, the proclamation called

for a review of the "entire problem of American aid." It is perhaps significant that this added voice in the recent clamor for sovereignty and against "American interference" in internal affairs is that of the Democratic Bloc. The bloc is generally considered at least progovernment, if not government-sponsored.

11. A third bloc may be in the making in the lower house and could be the beginning of a concerted opposition movement there. Au Truong Thanh, a former economy minister in the Ky cabinet who was disqualified as a presidential candidate, told a US Government official on 20 November that he and a few colleagues are attempting to form a bloc of independent deputies. He mentioned Saigon deputies Nguyen Trong Nho and Ho Huu Tuong as participating in the establishment of the bloc. In view of Thanh's opposition activities and the professed antagonism of Nho and Tuong to the government, it would appear that the proposed bloc is intended as an opposition grouping to counterbalance the essentially progovernment Democratic and Farmer-Worker-Soldier blocs.

Loan Resigns

12. Nguyen Van Huong's appointment as the president's secretary general has reportedly induced Police Director Loan to follow through on his earlier desire to resign. On 24 November, [REDACTED]

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[REDACTED] Loan submitted a written resignation to Chu Ngoc Lien, an official in the Ministry of Interior, giving fatigue as his reason and requesting reassignment to a troop command position.

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13. Van Van Cua, who is the mayor of Saigon and Loan's brother-in-law, reportedly later told Lien, however, that the real reason behind the resignation was Loan's feeling that President Thieu had gone back on a promise in appointing Huong as his secretary general. According to Cua, Thieu had promised Loan and Vice President Ky that Huong would not be given any public position. Loan's objection to Huong is reportedly based on his membership in the Dai Viet Party.

Tran Van Huong on the New Government

14. Former presidential candidate Tran Van Huong has turned down the government's offer of a position

at the head of the new Inspectorate and apparently intends to hold to his earlier announced decision to remain out of the new government. Both President Thieu and Vice President Ky had hoped to persuade Huong to accept the Inspectorate chairmanship, particularly because corruption, which the new body has been set up especially to investigate, has been Huong's special interest and was one of his prime campaign issues.

15. During a conversation with an embassy officer on 24 November, however, Huong said he had refused the post because, "as long as there are people in this country who feel they are above the law," a body like the Inspectorate can do little more than go after corrupt officials at the lowest levels. District and even province officials could be pursued, he said, but "their higher-ranking protectors" could not be touched.

16. Huong also confirmed earlier reports that he had been offered and had refused the prime minister-ship. He portrayed this position in the new government set-up as one wedged in among the president, the National Assembly, and the generals and indicated he would have been dissatisfied with being merely an executor of the president's policies.

17. Huong gives the new cabinet a life span of only six months, claiming it is merely a transitional body. As for his own future, he is apparently content to remain out of public life, observing the political scene from a distance and occasionally consulting with younger political figures who often come to him for advice.

Possible Moderate Buddhist Political Party

18. An unconfirmed article on 22 November in the Vietnamese-language newspaper Tu Do has reported possible plans by the moderate Buddhist faction of Thich Tam Chau to form a political party, which the paper is labelling a "Buddhist democratic party." Although the paper apparently has nothing more to go on than fragmentary reports and its own speculation, it cites as evidence "numerous meetings between venerables and (unnamed) pro-Buddhist political figures." The party, Tu Do claims, will be nationalist-oriented and will

have the benefit of a wealth of "operating resources." Considerable money, rumored to be some seven million piasters, will also be available to the Tam Chau faction for a daily newspaper the faction intends to publish, according to the article.

19. Tu Do speculates that these developments may signal the beginning of a "general counteroffensive" by Tam Chau in the current moderate-militant dispute over the Buddhist charter. Although the creation of an officially recognized political party would give Tam Chau a definite advantage over his rival Thich Tri Quang and would enhance his position legally, the US Embassy is doubtful of Chau's prospects for success. The embassy points out that Chau does not have a reputation as an effective organizer and, more important, that most politically active Buddhist laymen have remained loyal to Tri Quang's faction.

II. REVOLUTIONARY DEVELOPMENT

An apparently increasingly effective Vietnamese National Police appear to have thwarted Viet Cong efforts to accelerate their urban operations. Although the Vietnamese Police have eliminated a number of enemy urban cells, it is still difficult to determine how extensive the enemy's urban organizations remain and how much economic and political support the enemy continues to derive from urban operations. South Vietnamese officials have still not accepted the Intelligence Coordination and Exploitation (ICEX) concept; however, US officials believe that they will soon overcome their misgivings, and better coordinated and effective anti-infra-structure operations may result. According to the Vietnamese Cadre Directorate, by 1 November 149 Ap Doi Moi had been established by the RD teams. RD teams are now establishing an additional 321 Ap Doi Moi, along with 65 Ap Cung Co and 57 Ap Binh Dinh. As of 17 November 25,765 persons had rallied to the government under the Chieu Hoi or "Open Arms" program. During the week of 11-17 November 217 persons rallied; this is 400 less than in the same period of 1966.

Viet Cong Urban Operations

1. During the past year, an increasingly effective Vietnamese National Police organization has apparently thwarted efforts by the Viet Cong to accelerate their urban operations. In this context, the term "urban areas" refers not only to the autonomous cities of Saigon, Hue, Da Nang, Cam Ranh, Da Lat, and Vung Tau, but also to other large cities such as Qui Nhon and Nha Trang. Over the past year the Vietnamese Security Services (VSS)

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have broken up a significant number of Communist cells in a number of these cities, including Saigon, Da Lat, Cam Ranh, and Nha Trang. Nevertheless, it is still difficult to determine how extensive an urban organization the enemy has and how much financial and economic support he continues to derive from urban operations.

2. As of mid-1967, there were numerous agent reports, derived from VSS sources, of an increased Viet Cong interest in strengthening their urban operations. This greater interest may have been to compensate for military and political losses in the countryside and/or to enable them to retain contact with people migrating from rural to urban areas.

3. Captured enemy documents and a few interrogation reports suggest that the Communists' key concept in their urban activities continues to be the promotion of the "general uprising." However, the enemy's awareness of the situation in South Vietnam has apparently led him, despite his theoretical rhetoric, to adopt policies which best fit local situations. Prior to the September public announcement by the National Front for the Liberation of South Vietnam (NFLSV) of its new program, several agent reports alleged that the NFLSV was seeking to establish a "new front" advocating, under NFLSV guidance, a neutralist peace and a coalition government. Any such Communist interest in a "new front," however, may be a supplement rather than an alternative to their concept of the "general uprising."

4. Viet Cong documents and prisoner interrogations support the conclusion that the "struggle" movements of 1966 were not under Communist control. Communist documents tend to attribute their failures in this regard to poor communications and a lack of initiative at lower echelons. The documents imply, however, that the Communist Party is preparing for similar crises in the future and may, in such circumstances, allow its agents greater initiative in creating and exploiting local unrest.

5. Available information tends to confirm the Communists' continued interest in promoting an urban political organization and encouraging urban agitation. Although target groups within the cities remain the traditional ones--such as student groups, tradesmen and trade unions, and influential social organizations (such as friendship associations and reading clubs)--there are some indications that the Communists may in fact be trying to meld together a "new front" with a broader complexion, including individuals who have some anti-American feelings, are apathetic towards the political situation, or are physically or mentally exhausted from the 25-year prolonged conflict. Propaganda directed at most of the latter is likely to be in low key, while party or NFLSV members with "legal status" in government zones attempt, as in the past, to penetrate and gain prominent positions in target groups.

6. The Communist Party committees responsible for the larger cities in South Vietnam are apparently directly subordinate to the provincial committees. For the most part, urban committees have their own staffs, organic communications, and military units--generally a unit with a combined reconnaissance, intelligence, and sapper capability. Almost all of the city committees are located in what the Communists term "safe areas" adjacent to or near the urban areas. In some instances as in Da Nang, the city committees may exercise jurisdiction over a considerable portion of the countryside surrounding the city.

7. The total enemy effort in the cities, however, involves a myriad of agencies. Urban operations may be conducted by the party committee directly responsible for the city, or by certain staff elements at either province, region, or Central Office for South Vietnam (COSVN) levels. Certain agencies in North Vietnam are also believed directly to control some operations in the urban areas of South Vietnam. Most of the operations of the higher level entities involve intelligence collection or financial operations.

8. In order to operate the organizational complex of legal and "illegal" agents and other types of urban operations from distant bases, an extensive and highly developed communication-liaison system is required. Commo-liaison systems are generally divided between those which handle written communications and those used for conducting agent operations, and rigid compartmentalization is the rule throughout urban operations. The enemy utilizes the traditional techniques of tradecraft, including secret writing and recognition signals, apparently reinforced to some extent by clandestine radio communications. In general, one of the chief threats to the Communists in their urban operations is the loss of legal status by their operatives.

9. Of particular relevance in Communist urban operations are the activities of the terrorists. In the past year this threat has not apparently materialized to the extent the allies feared or the Viet Cong hoped. It appears that the urban sapper units still favor large, dramatic attacks and are constantly preparing for them, although they have been hindered in their ability to carry them out. According to a recently captured sapper unit commander, much of the shooting and grenade tossing in Saigon is the work of minor cadres, not of the urban sapper units.*

10. The suggestion that some terrorism in Saigon is done randomly is somewhat borne out by the statements of Phung Ngoc Anh, a female terrorist captured in the abortive assassination attempt on the press attaché of the Chinese Nationalist Embassy.

*In the 25 September 1967 edition of the Situation in South Vietnam (Weekly), it was suggested that with the roll-up of the Viet Cong Special Action Unit 69 in Saigon, 80 percent of the Viet Cong threat to the city may have been neutralized. Further analyses by US officials indicates that although the Viet Cong capacity for terrorism in Saigon has been seriously affected, it is not now believed that 80 percent of the threat has been neutralized. The Viet Cong Unit 69 was, however, responsible for 29 terrorist incidents between 1 March 1965 and 10 July 1967 which killed 58 persons and injured 274.

11. Anh's unit, the Viet Cong Armed Propaganda Unit of the Confederation of Liberation Trade Unions (Chinese Resident Team), carried out a series of assassinations and attempted assassinations in Saigon between February and September 1967. Other than one ethnic Vietnamese, all of the unit's personnel--about 15--were Vietnamese of Chinese extraction. Among their victims were several Vietnamese policemen of Chinese descent, apparently all "fingered" in advance, and several Americans. Anh's statements made it clear that although her unit appears to have had the mission of assassinating three Americans a month, the US victims were unknown, random individuals who happened to be spotted alone in areas considered suitable for a hasty withdrawal. In addition, interrogation of Anh has not produced any evidence to indicate that the members of the unit were anything other than Viet Cong or that there was any Chinese Communist influence in the recruiting, training, or direction of the unit.

12. Although the use of urban operations to purchase medicines and other supplies is well documented, allegations of large-scale financial support from the cities remain only allegations, and perhaps exaggerated ones. While the degree of blackmail which may be done by the enemy in urban areas cannot be ascertained, a few documents and interrogation reports suggest that urban operations are supported from the countryside rather than vice versa. For example, the activities of the Da Lat and Nha Trang municipal committees appear to be restricted by shortages of money, and--according to interrogation reports--neither the efforts to the Saigon Market Party Committee or the Saigon Intellectual Proselyting Committee have produced any significant funds.

Anti-infrastructure Activity

13. The Vietnamese government has still not accepted ICEX--the acronym for the intelligence coordination and exploitation program initiated by CORDS officials as a means of neutralizing the Communist infrastructure. The US ICEX structure has, however, been established in all corps and provinces.

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ICEX is designed to coordinate, integrate, and improve the existing anti-infrastructure programs of the various US components at all levels, and eliminate organizational duplication and competition for funds, resources, and intelligence assets. (The Situation in South Vietnam (Weekly) of 9 October discussed the ICEX concept and the US organization for its implementation.)

14. Since the burden of the anti-infrastructure effort rests with the Vietnamese, US officials hoped that the example set by the US ICEX reorganization would lead the Vietnamese to do the same; but the Vietnamese, at least at the Saigon level, have been somewhat reluctant to implement an ICEX-type program. Some of the Vietnamese "foot-dragging" may have come from their preoccupation with the recent elections and the political uncertainties inherent in every change of government in South Vietnam. However, the initial reaction of government security officials to the program was disappointing. It is possible that the Vietnamese were piqued at not having been included in the ICEX planning conferences.

15. US officials have been working to overcome Vietnamese apprehensions and have been reassuring the National Police in particular that neither their organizational integrity or modus operandi is threatened. The National Police are now apparently participating more extensively in the District Operations and Intelligence Coordination Centers (DOICC) and seem to feel that such participation is to their advantage. CORDS officials in Saigon believe that earlier Vietnamese misgivings and misunderstandings concerning ICEX and the DOICCs is being overcome.

16. From a total of ten in July 1967, the number of DOICCs wholly or partly operational now stands at 53. These are 14 in I Corps, seven in II Corps, 28 in III Corps, and four in IV Corps. At present, 115 DOICCs are programmed for activation during 1968--20 each in I and II Corps, 53 in III Corps, and 22 in IV Corps. This projection possibly may be

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revised upward during 1968. In addition to the establishment of the DOICCs, CORDS officials are striving to upgrade the capabilities and the utilization of the Provincial Interrogation Centers--subject to National Police policies--and to revive the Vietnamese Provincial Intelligence Coordination Committees (PICC).

17. US officials feel that the US ICEX organizational phase is now largely completed, and that as DOICCs continue to be established and US military personnel continue to be assigned for ICEX augmentation, the US can now move into the operational phase. Aside from completing negotiations with the GVN, emphasis will be given by US officials to guidance, support, reporting, the review of field operations, and to the monitoring of the progress of the construction and utilization of the new provincial prisoner screening and detention facilities.

18. Problems still exist and must be overcome before the ICEX program can function effectively. Although ICEX was envisioned as a structure that would derive its support from existing programs, this has not turned out to be the case. The US management and coordination structure, both now and as it continues to grow at district, province, and corps levels, will require additional resources, personnel, funding, vehicles, and communications. The key to the success of ICEX, however, still remains with the Vietnamese. The creation of Vietnamese ICEX staffs, in addition to the hoped for reactivation of the PICC and continued expansion of the DOICCs, could further drain the already limited Vietnamese pool of qualified manpower and may not add substantially to the Vietnamese anti-infrastructure efforts.

Status of Hamlets Being Worked by RD Teams

19. Statistics derived from the Vietnamese Revolutionary Development Cadre Directorate indicate that as of 18 November 437 RD teams were working in RD hamlets throughout South Vietnam. Of these, 321 teams are constructing Ap Doi Moi ("Real

New Life Hamlets"), 65 are at work in Ap Cung Co (Consolidated Hamlets), and 57 are establishing Ap Binh Dinh (Pacified Hamlets).

20. According to the Vietnamese Cadre Directorate, 149 Ap Doi Moi had been completed by the RD teams as of 1 November. CORDS reported that as of 30 September, 265 teams--58 percent of the teams eligible for movement--had completed their move to the Phase II hamlets. The difference between the number of completed Ap Doi Moi and the number of teams reported to have moved is presumably accounted for by the teams which in their Phase I hamlets established Ap Cung Co and Ap Binh Dinh.

21. The Vietnamese RD Cadre Directorate still aspires to complete the 1967 goal of 1,137 hamlets however, the 1967 program will not end until at least 31 January 1968. In addition there are 38 RD teams, composed of only 20 workers each, in 38 villages of An Giang Province. These Community Development teams are expected to stay in their present villages for the remainder of this year. Of the approximately 35 civil-military teams operating in South Vietnam, at least 12 have established Ap Binh Dinh--all in Binh Dinh Province--and have moved to Phase II hamlets.

22. US advisers have been concerned with the RD Cadre Directorate's recent actions in forming new RD teams with the recent Vung Tau graduates rather than filling in understrength teams. The Vietnamese effort is apparently aimed at establishing 550 RD teams by 1 January. The Cadre Directorate has, however, assured CORDS that the first Vung Tau class that graduates in 1968 will be used as fillers and replacements for the existing teams.

III. ECONOMIC SITUATION

The USAID retail price index for Saigon was virtually unchanged during the week ending 13 November, although the price of rice increased for the first time since early September. Free market dollar and gold rates rose slightly in response to rumors that a larger piaster banknote would be issued. Route 4 is the most important commercial route in Vietnam and is now used, rather than waterways, for transporting most goods to Saigon from the delta. Route 20 north of Saigon has become increasingly important to commerce since the closure of Route 1 along the coast.

Prices

1. The USAID retail price index for Saigon was virtually unchanged during the week ending 13 November, although the price of rice rose for the first time since early September when the first deliveries of the new crop began to arrive. This increase, attributed to an attempt by provincial rice merchants to hold up shipments in anticipation of higher official rice prices, was offset by declines in the prices of chicken, shrimp, and most vegetables. Inadequate deliveries of charcoal and firewood resulted in higher prices for these items, but prices of all other nonfood products were unchanged. (A table of weekly retail prices in Saigon is included in the Annex.)

2. Prices of US-financed imports rose about two percent during the week ending 14 November, partly in response to widespread rumors of an increase in customs duties and the possible issuance of a larger piaster banknote. The price of wire rods rose five percent, mainly because of low arrivals. The only decline was registered in the price of cement.

Currency and Gold

3. Free market dollar and gold rates rose slightly on 13 November as a result of the rumors mentioned above, particularly those concerning the issuance of a 1,000-piaster note. The highest bank-note now in circulation is the 500-piaster note. The prices of green dollars and gold leaf rose one piaster each to 156 and 202 piasters per dollar. The rate for MPC (scrip) was unchanged at 115 piasters per dollar. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

Highways of Commerce: Route 4

4. A series of reports by Vietnamese and US officials show that most commodities moving to Saigon from the delta are now transported by road, rather than water, and that the condition of the roads has deteriorated rapidly in recent years from Viet Cong mining and heavy traffic. Route 4 running from Saigon through eight provinces to Quan Long (Ca Mau) in An Xuyen Province, a distance of about 217 miles, is the most important commercial route in Vietnam. During the first nine months of 1967 three fourths of the delta rice delivered to Saigon was transported by road and all of this was trucked at least part of the way on Route 4. Most fish and pork delivered to Saigon are also trucked via Route 4. Shipment by barge formerly was the most economic way to transport foodstuffs, but delta waterways are now too insecure and many barge owners have moved their equipment to the Saigon port area where they can make more money. Rice and cement clinker are the major items still transported to Saigon by barge, but barges must now wait for convoys which travel only three of four times a month.

5. Under normal conditions a trip covering the length of Route 4 from Quan Long to Saigon takes nine to 11 hours, but this may be extended into days depending on enemy activities and the weather. The normal trip often involves extended waiting periods at several one-way bridges and the Mekong River ferries

at My Thuan and the Trans-Bassac River ferries at Can Tho. The hard surface portion of the road varies from about 15 to 43 feet wide, but many stretches have been heavily cratered by mines. Route 4 has been attacked frequently during the past few months with obvious effects on deliveries to the Saigon re-tail market. Prior to the presidential inauguration on 31 October, VC mining of a section of the highway combined with heavy rain was the main cause of a six percent increase in food prices in the capital that week. In the section from My Thuan to My Tho the enemy has cratered the road with more than 100 mines and blown up a 168-foot reinforced concrete bridge. This destruction closed the road for only two days, but the continued cratering has slowed traffic considerably.

6. If truckers learn in advance that a section of the road has been closed, they can either drive to the break in the road and transship their goods to a truck on the other side or delay shipment until repairs are made. Fish are the most vulnerable to delays because they are shipped live in water containers. On a normal day the trucker loses up to 20 percent of his fish, and if he must wait overnight, the loss can be as much as 70 percent. With a two-day delay, he delivers dead fish. In addition to the cost of delays, there are costs incurred at the many resource checkpoints along the way and at the ferries, where a bribe shortens the waiting period. One rice trucker reported payments to 36 different parties on a round trip between Saigon and Vinh Loi (Bac Lieu).

Routes 20 and 1

7. A second important commercial highway is Route 20 running from about 44 miles east of Saigon north to Da Lat. With the closing of Route 1 in Long Khanh and Binh Tuy provinces, and the railroad, which parallels Route 1 up the coast, Route 20 has become a major route for goods being transported from Saigon to Phan Rang, Nha Trang, and Pleiku. According to an embassy report, security has improved

considerably along the road in recent months, and since July, the VC have not maintained regular fixed tax points on the road. The highway, however, now carries far more traffic than it was designed to take and maintenance is poor.

8. Route 20 begins at a junction with Route 1 east of Saigon and runs about 143 miles to Da Lat, a mountain resort in Tuyen Duc Province. It is a hard-surface road averaging 14 feet in width, but weather, traffic, and lack of repair have resulted in several stretches of mud and potholes. There are many bridges and culverts on Route 20, but most could be easily repaired within a few hours except for one bridge, not yet damaged, over rapids in the La Nga River. MACV originally scheduled complete repair and expansion of the road for 1968, but there are no funds available and other routes have higher military priority. With no military assistance and province officials claiming inability to keep up necessary repairs, Route 20 probably will slowly deteriorate.

9. Route 20 is open to traffic with few serious delays, except in rainy weather, but the normal running time from Saigon to Da Lat is still ten to 12 hours, or about double what it was five years ago. The security of the road constantly changes, but in Long Khanh Province the South Vietnamese Army and local forces provide reasonably security with a series of strongpoints along the road. The stretch between Bao Loc and the Lan Dong-Tuyen Duc border, however, is insecure, and the enemy can interdict the highway for short periods when they choose.

10. No thorough check is made on the amounts and types of cargo transported on Route 20, but one survey showed that about 200 vehicles use the road each day. It is known that more than 100 metric tons of vegetables are trucked daily from the vegetable growing center of Da Lat to Saigon and that other products such as fish, salt, and nuoc nam are trucked through Da Lat from the coast. If travel time is normal, the vegetables arrive in marketable

condition, but when two days are required, as often happens, about half the load spoils and both farmers and consumers suffer. Traffic in the other direction carries consumer goods for the civilian population from Saigon to Da Lat and frequently on to Phan Rang, Nha Trang, and Pleiku. Each day some 20 tons of bananas and pineapples are trucked from the Saigon area and then flown out to US installations in military planes.

11. The closing of Route 1 has been a particular hardship for the economy of Phan Thiet on the coast in Binh Thuan Province. Phan Thiet used to be about 125 miles and six hours from Saigon by road, but is now about 24 hours away by water. The area's current major industries are fish, nuoc mam, and salt, but an embassy officer who toured the area believes that with adequate security and the opening of the road, there would be a renewal of lumbering, the development of vegetable production, and possibly the expansion of rice production. The fishermen of Phan Thiet have suffered heavy losses in transporting their product to Saigon because refrigeration is inadequate for the length of time now required for the trip. There has been talk of acquiring boats with cold storage facilities, but apparently the fishermen's real preference is for a return to the old pattern of commerce using Route 1.

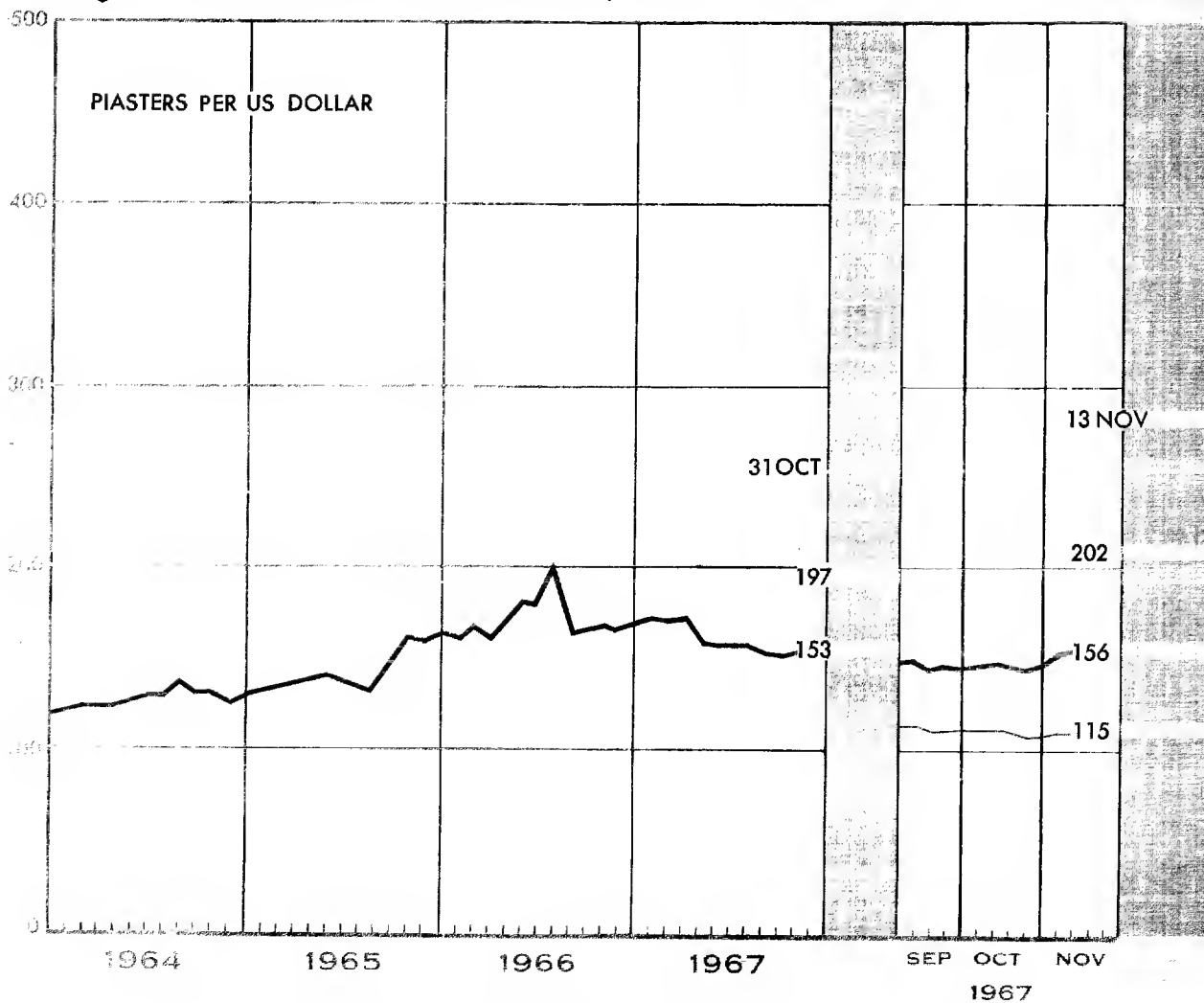
TABLE

Weekly Retail Prices in Saigon a/

	13 Jun 1966 <u>b/</u>	3 Jan 1967	23 Oct 1967	30 Oct 1967	6 Nov 1967	13 Nov 1967
Index for all Items	<u>173</u>	<u>225</u>	<u>290</u>	<u>304</u>	<u>300</u>	<u>301</u>
Index for Food Items	<u>190</u>	<u>242</u>	<u>324</u>	<u>345</u>	<u>336</u>	<u>336 c/</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,700	2,300	2,300	2,250	2,350
Pork Bellies (1 kg.)	90	130	200	230	220	220
Fish-Ca Tre (1 kg.)	130	150	220	270	260	260
Nuoc Mam (jar)	70	90	150	150	150	150
Index for Nonfood Items	<u>140</u>	<u>195</u>	<u>228</u>	<u>230</u>	<u>233</u>	<u>236 c/</u>
Of Which: (In Piasters)						
Firewood (cu. meter)	360	560	500	520	530	560
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	33	45	46	46	46
Kerosene (liter)	7.8	10.5	9	9	9	9

- a. Data are from USAID sources. For all indexes 1 January 1965 = 100.
b. Price level just prior to the 18 June devaluation.
c. Preliminary.

Saigon Free Market Gold and Currency Prices



- GOLD: Basis gold leaf worth \$35 per troy ounce
- US \$10 GREEN
- US \$10 MPC Military Payment Certificates (scrip).

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